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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000862

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SUBJECT: KMT CHAIRMAN WU ON DEFENSE BUDGET, PRESIDENTIAL  
RACE

Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶1. (C) Summary: On April 16 the Director met with recently-elected KMT Chairman Wu Po-hsiung to urge rapid progress on the defense budget and to discuss the KMT's strategy in advance of upcoming legislative and presidential elections. Wu said the KMT is committed to passing a responsible defense budget but still requires PFP cooperation to do so. Wu blamed the current legislative deadlock over the budget on the DPP's refusal to budge on reconfiguring the Central Election Commission. The KMT will nominate former Chairman Ma Ying-jeou to be the party's presidential candidate, even if he is convicted after his first trial. Wu said he plans to convince Legislative Speaker and Ma rival Wang Jin-pyng to join Ma as his vice presidential candidate. End Summary.

¶2. (C) KMT Chairman Wu Po-hsiung was elected KMT Chairman on April 7 and assumed office on April 11. Born in 1939, Wu is one of the KMT old guard and is widely considered to be a stalwart ally of former KMT Chairman and current presidential contender Ma Ying-jeou. Two other senior KMT officials attended the meeting -- KMT Vice Chairman John Kuan (Chung) (born 1940), and KMT policy adviser and former TECRO representative Steven Chen (Hsi-fan) (born 1934). Wu told the Director that prior to becoming Chairman, he had been "virtually retired," occupying himself with religious charity work and the like. Now, as Chairman, he was beginning to feel the pressure of confronting the many challenges to the party's future.

¶3. (C) The Director inquired whether the KMT under Wu's leadership would pass the long-stalled defense budget, including spending for P-3C antisubmarine aircraft, Patriot-III anti-missile batteries, and a submarine exploratory committee. Wu responded that the KMT regards the U.S. as its most important political ally, and that when the KMT was in power, it was able to reach strong consensus on defense planning and spending. Now, as the main opposition party, the KMT does not object to the defense budget itself, Wu continued, but to the DPP's politicization of the defense budget process. Vice Chairman Kuan repeated the old KMT saw that the DPP should bear most of the blame for allowing three years to lapse before it presented the defense budget package to the LY for consideration. The Director rejected these excuses, and urged Wu, Kuan and the KMT to act responsibly to

preserve Taiwan's military balance with the PRC.

14. (C) Wu observed that the KMT has linked passage of the defense budget and other pending legislation to passage of a bill to reform the Central Election Commission (CEC). Wu asserted that the CEC is packed with pro-DPP partisans, and the DPP leadership is using the CEC to push anti-KMT referenda and other electoral tactics designed to favor the DPP. According to Wu, the KMT wants to balance Blue-Green membership on the CEC to prevent DPP "rigging" of elections, but the legislature is deadlocked because the DPP refuses to let go of its valuable "political tool."

15. (C) With the defeat of People First Party Chairman James Soong in the December 2006 Taipei mayoral race, and the continued decline of his party, asked the Director, does the KMT still need PFP cooperation to pass the defense budget or other legislation in the LY? Wu responded that, with ten months left until the next LY election and with so many important bills still pending, cooperation with the PFP remains essential to maintain pan-Blue control of the LY. Wu also made clear that the KMT leadership would not insert itself directly into KMT LY caucus deliberations, which must "be decided by the KMT caucus itself."

16. (C) With Ma Ying-jeou's corruption trial underway, the Director asked how a possible conviction might affect Ma's ability to remain the KMT's presidential candidate. Wu stressed that Ma would remain the KMT's candidate under any circumstances. Current KMT regulations bar those convicted after the first trial from representing the party in any election. If necessary, Wu continued, the KMT will amend the party constitution to bar candidates from running only after conviction in the third and final (appeals) trial. According

TAIPEI 00000862 002 OF 002

to Wu, this would bring the KMT policy into line with the more lenient election statute and with DPP party policy, both of which impose a ban only after the third conviction.

17. (C) The criminal trial of Ma is politically motivated and unfair, Wu argued. Five thousand public officials in Taiwan, including Wu himself, had access to "special accounts" like those involved in Ma's case. Stephen Chen remarked that for the eight years while Ma was Taipei mayor, prosecutors had no interest in his use of these special accounts. They had only decided to file charges when his presidential campaign drew near. The KMT cannot allow Ma to be forced out of the race by such dubious charges, Wu argued. Although many do not see Ma as the "most capable" politician, Wu continued, most of the public still consider him to be the "cleanest." As long as this opinion prevails, Ma will remain the KMT's presidential candidate, even if he is convicted. If public support for Ma drops below critical levels, Wu conceded, he will have to be replaced. Wu lamented that the presidential race is "very close," and remarked that the KMT's greatest fear is an election-night surprise like the "two bullets" which struck President Chen and Vice President Lu the evening before the 2004 presidential election.

18. (C) Assuming Ma remains the KMT's presidential candidate, the next step will be to persuade Legislative Yuan Speaker and Ma rival Wang Jin-pyng to join Ma as his vice presidential running mate. Wu explained that in fashioning the KMT's presidential ticket, the party must respect Wang and his power and position as LY Speaker. Wu told the Director that he intended to ask Honorary Chairman Lien Chan to broker a deal between Ma and Wang. Wang respects Lien and his counsel, Wu continued, and "even Wang must recognize" that he has little chance of running a presidential campaign independent of the KMT. (Note: Lien departed Taiwan for Beijing on April 16, in advance of an April 28-29 KMT-CCP forum. End note.)

Comment

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19. (C) In our meetings with Ma Ying-jeou when he was party chairman, there was a clear sense that Ma was in charge, and the other KMT members in attendance always deferred to him. In contrast, Wu, Kuan, and Chen participated by turns in this meeting, leaving the impression that Wu is more "the first among equals" than a strong party leader. Wu's less autocratic style may make it easier for him to cut deals, but building consensus, rather than ruling by fiat, will take time and effort and not necessarily be successful in all cases. The biggest challenge faced by Wu and the KMT is to find a way to placate Wang Jin-pyng and bring him aboard the Ma bandwagon. We also note that Wu, Kuan, and Chen averaged roughly seventy years of age, reflecting the decision of the pan-Blue old guard to hang on to power in lieu of promoting a younger generation of leaders. One wonders how this affects morale in the party.

YOUNG